

AGENDA ITEM V-A

Consideration of funding formulas for use by the Governor and the Legislative Budget Board in making appropriations recommendations to the Legislature

Background Information:

- In April of even-numbered years, the Board makes recommendations regarding funding formulas for public community, technical, and state colleges; public universities; and public health-related institutions.
- The recommendations by the formula advisory committees and the Commissioner include both technical adjustments to the formulas and changes driven by policy considerations designed to improve alignment of the funding system with the goals of *Closing the Gaps*.
- Section 61.059(b) of the Texas Education Code requires the Board to designate formulas to be sent to the Governor and the Legislature for their use in preparing budget instructions to the colleges and universities.
- The recommendations are presented in a document that has been sent under separate cover.

(1) Public Community and Technical Colleges

RECOMMENDATION: Adopt the formulas for the community and technical colleges, as presented.

Background Information:

- The proposed formulas for the community and technical colleges include the 50 community college districts in the state as well as the Texas State Technical College System (TSTC) and Lamar State College-Orange, Lamar State College-Port Arthur, and Lamar Institute of Technology (collectively known as the Lamar State Colleges).
- Texas public community colleges are units of local government and are state aided. The state provides allocations for instruction and administration, but it is the responsibility of local taxing districts to provide for and maintain facilities on the campuses.
- TSTC and the Lamar State Colleges are state entities and receive state funding for instruction and administration and for maintaining their facilities. In making appropriations to these institutions, the Legislature uses the same formulas that are used by the community colleges for instruction and administration, but it uses the general academic institution infrastructure formulas for facilities appropriations.

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- The Commissioner appointed an advisory committee chaired by Chancellor Leonardo de la Garza of the Tarrant County Community College District to review the community and technical colleges' formula rates and to make recommendations. The advisory committee was comprised of administrators and faculty of community colleges, TSTC, and the Lamar State Colleges and laypersons. The recommendations of the formula advisory committee and the Commissioner were presented to the Committee on Administration and Financial Planning on March 15th. The committee recommends that the Board adopt the Commissioner's recommendations.

Deborah L. Greene, Assistant Commissioner for Finance, Campus Planning and Research, will present the Commissioner's recommendations. Dr. de la Garza will describe the work of the Formula Advisory Committee.

(2) General Academic Institutions

RECOMMENDATION: Adopt the formulas for the general academic, as presented.

Background Information:

- The General Appropriations Act, Article III, p. 266, Section 30, paragraph 4, specifies that the funding formulas shall be reviewed and updated by study committees appointed by the Higher Education Coordinating Board.
- The Commissioner appointed a Formula Advisory Committee and two Formula Study Committees to review the general academic institution formulas and to make recommendations. These committees were comprised of academic administrators, faculty, and laypersons. President Jesse Rogers of Midwestern State University chaired the Formula Advisory Committee, and the two study committees were chaired by Vice Chancellor Phil Diebel of the University of North Texas System and Vice President Bill Nance of Texas State University-San Marcos. The recommendations of the formula advisory committee and the Commissioner were presented to the Committee on Administration and Financial Planning on March 15th. The committee recommends that the Board adopt the commissioner's recommendations.

Deborah L. Greene, Assistant Commissioner for Finance, Campus Planning, and Research, will present the Commissioner's recommendations. Dr. Rogers will discuss the work of the Formula Advisory Committee. Included in the white page of this agenda item are copies of the spreadsheets showing the impact of full implementation and the proposed phase-in of the cost-based methodology as well as the correspondence expressing dissatisfaction with the study and the response of the I&O study committee chair.

(3) Health-Related Institutions

RECOMMENDATION: Adopt the formulas for the health-related institutions, as presented.

Background information:

- The General Appropriations Act, Article III, p. 266, Section 31 contains funding formulas used to allocate funds to health-related institutions. That section also specifies that the funding formulas shall be reviewed and updated by study committees appointed by the Higher Education Coordinating Board.
- The Commissioner appointed an advisory committee chaired by Vice President Steve Russell, the University of North Texas Health Science Center at Fort Worth, with representatives from each of the health-related institutions. The recommendations of the formula advisory committee and the Commissioner were presented to the Committee on Administration and Financial Planning on March 15th. The recommendations of the formula advisory committee and the Commissioner were presented to the Committee on Administration and Financial Planning on March 15th. The committee recommends that the Board adopt the commissioner's recommendations.
- Subsequent to the committee meeting, additional information regarding the formula advisory committee's recommendations became available. As a result of continued analysis on the health-related institutions' formulas, the Commissioner revised his recommendations. A supplemental explanatory document, along with the draft *Formula Funding Recommendations for the 2006-2007 Biennium*, will be provided under separate cover.

Deborah L. Greene, Assistant Commissioner for Finance, Campus Planning, and Research, will present the Commissioner's recommendations. Mr. Russell will discuss the work of the Formula Advisory Committee.